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RUEHCN/AMCONSUL CHENGDU 1538
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RUEHSH/AMCONSUL SHENYANG 5510
RUEAIIA/CIA WASHDC
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S E C R E T SECTION 01 OF 02 TAIPEI 003920

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TAGS: [PGOV](#) [PREL](#) [TW](#)
SUBJECT: PRESIDENT CHEN AND DIRECTOR DISCUSS TAIWAN
POLITICS AND U.S.-TAIWAN RELATIONS

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (S) Summary: President Chen told the Director on November 20 that Legislative Yuan (LY) speaker Wang Jin-pyng has assured him the LY will approve arms procurement after the Taipei and Kaohsiung mayoral elections on December 9. Chen reviewed the campaigns in the two cities, pointing out that Taiwan elections cannot be seen clearly until the last minute. In Taipei it is too early to completely count out DPP candidate Frank Hsieh, Chen argued, adding that the party will regard the outcome as positive if Hsieh can come close to the expected winner, KMT candidate Hau long-bin. The election in Kaohsiung will be very tight, Chen predicted. Chen also predicted that the unfolding controversy over Taipei Mayor Ma Ying-jeou's special funds case will cause some internal divisions within the KMT. End Summary.

¶2. (S) The Director met with President Chen Shui-bian at the Presidential Office late in the afternoon on November 20 to discuss Taiwan politics and U.S.-Taiwan relations. DDIR and Poloff accompanied; Chen's Deputy Secretary General Liu Shyh-fang, notetaker, and interpreter attended on the Taiwan side. Chen noted that First Lady Wu Shu-chen had been in poor health recently but was now taking nutrition shots and said they would decide in a few days whether she is up to attending the dinner for the President that the Director will host on November 27.

APEC; U.S.-Taiwan Relations

¶3. (S) Chen said that Taiwan Semiconductor (TSMC) Chairman Morris Chang returned from Hanoi that afternoon at 4 p.m. and would be briefing him the next day on the details of his participation in APEC, including his encounters with President Bush and Japanese Prime Minister Abe. The Director noted EAP DAS Christensen's briefing to TECRO Representative David Lee on the recent U.S.-PRC senior dialogue and the plans for Treasury Secretary Paulson to visit Beijing in December. The Director also previewed the speech he would be delivering the next day to AMCHAM on U.S.-Taiwan economic relations. Chen in particular asked if the speech would cover cross-Strait links. The Director confirmed that it

would, along familiar lines supporting unrestricted trade.

Arms Procurement

14. (S) The Director asked Chen for his views on the recent progress on the defense budget in the Legislative Yuan (LY). Chen said LY speaker Wang Jin-pyng (KMT) had assured him that the arms procurement issue would be resolved after the Taipei and Kaohsiung elections on December 9. KMT Chairman Ma Ying-jeou supports passage, and People First Party James Soong is no longer resolutely opposed. Chen said he would rely on Wang to coordinate the issue in the LY and was confident that arms procurement would be approved after December 9.

Taipei Mayoral Election

15. (S) The Director sought Chen's analysis of the current political situation, including the upcoming mayoral elections in Taipei and Kaohsiung. Chen predicted that changes would occur between now and election day and therefore it would be premature to conclude that DPP candidate Frank Hsieh has no opportunity to defeat KMT candidate Hau Long-bin in Taipei. If Hsieh is able to win 42-43 percent of the vote, the election will hinge on how many votes James Soong takes away from Hau, so the final result is difficult to predict. Even if Hsieh does not win the election itself, the party will not regard the outcome as a loss if Hsieh comes within 5-10 percentage points of Hau Long-bin.

Kaohsiung Mayoral Election

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16. (S) In Kaohsiung, pan-Blue and pan-Green forces are evenly matched, Chen observed. KMT candidate Huang Chun-ying is now ahead of DPP candidate Chen Chu, but it is not certain Huang can maintain his lead up to election day. Changes will occur, and it is unclear who will win. The only thing definite is that the final result will be close. Polls indicate that a higher percentage of KMT than DPP supporters intend to vote, so the DPP must increase its campaign work to bring out its voters. Elections in Taiwan cannot be seen clearly until the last minute, Chen observed. Like chemistry, election situations are constantly changing. Chen predicted that Taiwan Solidarity Union (TSU) candidate Lo Chih-ming will stay in the Kaohsiung race until the end. However, Lo will not affect the results since his support is low and he takes potential votes away from both the DPP and KMT camps, which cancel each other out.

Other Political Developments

17. (S) Chen observed that the investigation of Taipei Mayor Ma Ying-jeou's use of special funds is an unfolding story. This case will have an influence on Ma's position, generating internal contradictions and confrontations within the KMT, Chen predicted. While there was only one choice and voice within the KMT in the past, multiple voices and choices are now emerging.

18. (S) The Director asked Chen whether he thought Shih Ming-te's "Depose Chen" movement was finished. Chen noted that Shih will be traveling to Thailand November 30 to December 3. According to Chen, Shih's demonstrators were people mobilized by the KMT and PFP, with Shih standing on the front line and Ma and Soong on the second line. The pan-Blue used Shih, and now that they have pulled out of his movement, he has nothing. Shih would be mistaken to believe that he enjoys any mass support in his own regard, Chen argued, adding that Shih should realize this from his defeats in past elections.

Comment

19. (S) While Frank Hsieh has little chance of victory in Taipei, a higher than expected vote total may boost his hopes of becoming the DPP presidential candidate in 2008. Over the next three weeks, the DPP and KMT will focus their major campaign efforts on the election in Kaohsiung, which remains a toss-up at this point. Ma has been damaged by a perception that he has been lax in managing the mayor's office and that he has mishandled his response to the special funds controversy, though it is too early to say whether the damage is temporary or longer lasting. While we agree with Chen that the withdrawal of pan-Blue support has deflated the Shih Ming-te movement, in its heyday the movement attracted many young people and middle class families who do not normally participate in political demonstrations here.

YOUNG